

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 26, 2013

Advice Letter 4237-E

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**SUBJECT: Natural Selection Foods, LLC Sole Customer Facility Sale --
Request for Approval Under Section 851**

Dear Mr. Cherry:

Advice Letter 4237-E is effective as of July 5, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division



June 5, 2013

Advice 4237-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Natural Selection Foods, LLC Sole Customer Facility Sale – Request
for Approval Under Section 851**

Purpose

Pacific Gas and Electric Company (“PG&E”) respectfully requests an order from the California Public Utilities Commission (“CPUC or Commission”) authorizing PG&E under Public Utilities Code § 851 (“Section 851”) to sell certain electric facilities and associated appurtenances (“Facilities”) to Natural Selection Foods, LCC (“Natural Foods”) on the terms and conditions specified in the Purchase and Sale Agreement (“Agreement”) that is provided in Attachment 1.

Background

Pursuant to the authority granted in Decision (D.) 99-12-030 and D.04-08-031, PG&E hereby requests final Commission approval of a proposed sale of limited sole-customer public utility facilities.

PG&E and Natural Foods seek approval from the Commission for Natural Foods to purchase certain PG&E Primary and Secondary Underground electric facilities that currently provide service to Natural Foods operations located at 1721 San Juan Highway in San Juan Bautista, California. Natural Foods owns and operates a processing facility at this site. The facilities being sold to Natural Foods include 21 kV primary service facilities and 277/480 voltage secondary service facilities at 1721 San Juan Highway in San Juan Bautista, California.

By owning and operating its own internal distribution facilities, Natural Foods will be able to purchase power from PG&E at the Primary voltage level, which will result in significant savings for Natural Foods.

In accordance with Resolution GO 173, PG&E provides the following information related to the proposed transaction:

(a) Identity and Addresses of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company	Natural Foods Selection, LCC
Darren P. Roach	Jeffrey R. Cook, CFO
Law Department	1721 San Juan Highway
P.O. Box 7442	San Juan Bautista, California 95045
San Francisco, CA 94120	Telephone: (831) 623-7880 ext.2466
Telephone: (415) 973-6345	E-mail: jcook@ebfarm.com
Facsimile: (415) 973-5520	
Email: DPRC@pge.com	

(b) Complete Description of the Property Including Present Location, Condition and Use:

The facilities subject to this transaction consist of Primary and Secondary underground electric facilities and associated appurtenances owned by PG&E. These facilities are located on the Natural Foods property at 1721 San Juan Highway, San Juan Bautista, California. A complete description of the Facilities to be sold to Natural Foods is provided as Exhibit A of the Agreement (Attachment 1).

(c) Intended Use of the Property:

PG&E is not aware of any anticipated change in the use of the Facilities. The Facilities currently are used for the distribution of electric service to Natural Foods and upon completion of the sale Natural Foods plans to operate the Facilities and associated appurtenances to serve their processing facility in San Juan Bautista, California.

(d) Complete Description of Financial Terms of the Proposed Transaction:

Natural Foods has agreed to purchase the facilities and associated appurtenances subject to this advice letter for the price of \$335,595, which is the same value as the Replacement Cost New Less Depreciation (RCNLD).

(e) Description of How Financial Proceeds of the Transaction Will Be Distributed:

The facilities for sale consist of electric distribution assets. Disposition of the proceeds from the sale of the facilities will be made in accordance with the policy for the allocation of the gains and losses on the sale of electric distribution assets adopted in the Commission's Gain on Sale Rulemaking, in D.06-05-041 as modified in D.06-12-043. Pursuant to the forgoing authority, PG&E will credit the gain on sale to the Depreciation Reserve, consistent with CFR Title 18, Electric Plant Instruction 10, Paragraph F. accounting and

consistent with CPUC treatment of sole customer facility sales since D.04-08-031.

(f) Statement on the Impact of the Transaction on Ratebase and Any Effect on the Ability of the Utility to Serve Customers and the Public:

Pursuant to the authority granted in D.99-12-030 and D.04-08-031, the purchase price is greater than or equal to RCNLD. As a result of the sale, PG&E's rate base will be reduced by the net-of-tax proceeds, which will be credited to the depreciation reserve as a net benefit to PG&E ratepayers. This filing will not increase any other rate or charge, cause the withdrawal of service or conflict with any rate schedule or rule.

(g) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

The original cost of the facilities was \$213,499 and the net book value of the facilities is \$156,497 (**Attachment 2**).

(h) The Fair Market Rental Value for Leases of Real Property, and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(i) For Fair Market Rental Value of the Easement or Right-of-Way and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(j) A Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction:¹

Not Applicable. There are no other related transactions between PG&E and Natural Foods that are related to this sale transaction.

¹ During adoption of the Advice Letter pilot program in ALJ-186 (later followed by ALJ-202 and ALJ-244), this category of information was included to enable the CPUC to ensure that utilities were not seeking to circumvent the \$5 million Advice Letter threshold by dividing what is a single asset with a value of more than \$5 million into component parts each valued at less than \$5 million, which is clearly not the case here. (See CPUC Resolution ALJ-186, issued August 25, 2005, mimeo, p.5.)

(k) Sufficient Information and Documentation (Including Environmental Review Information) to Indicate that All Criteria Set Forth in Rule 3 of General Order ("GO") 173 are Satisfied:

PG&E has provided information in this Advice Letter to satisfy the eligibility criteria under GO 173 in that:

- The activity proposed in the transaction will not require environmental review by the CPUC as a Lead Agency;
- The transaction will not have an adverse effect on the public interest or on the ability of PG&E to provide safe and reliable service to its customers at reasonable rates;
- The transaction will not materially impact the rate base of PG&E; and
- The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 application.

(l) Additional Information to Assist in the Review of the Advice Letter:

PG&E is not aware of any additional relevant information other than what is included with this advice letter.

(m) Environmental Information

Pursuant to GO 173, the Advice Letter program applies to proposed transactions that will not require environmental review by the CPUC as a lead agency under the California Environmental Quality Act ("CEQA") either because: (a) a statutory or categorical exemption applies (the applicant must provide a notice of exemption from the Lead Agency or explain by an exemption applies), or (b) because the transaction is not a project under CEQA (the applicant must explain the reasons why it believes that the transaction is not a project), or (c) because another public agency, acting as the Lead Agency under CEQA, has completed environmental review of the project, and the Commission is required to perform environmental review of the project only as a Responsible Agency under CEQA.

(1) Exemption

- a. Has the proposed transaction been found exempt from CEQA by a government agency?
 - i. If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable

- ii. If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

Not Applicable

(2) Not a "Project" Under CEQA

If the transaction is not a "project" under CEQA, please explain why.

The proposed transaction is not a "project" under CEQA as it constitutes a change in ownership only.

(3) CPUC as a Responsible Agency under CEQA

If another public agency, acting as the Lead Agency under CEQA, has completed an environmental review of the project and has approved the final CEQA documents, and the Commission is a Responsible Agency under CEQA, the applicant shall provide the following.

- a. The name, address, and phone number of the Lead Agency, the type of CEQA document that was prepared (Environmental Impact Report, Negative Declaration, Mitigated Negative Declaration), the date on which the Lead Agency approved the CEQA document, the date on which a Notice of Determination was filed.

Not Applicable

- b. A copy of all CEQA documents prepared by or for the Lead Agency regarding the project and the Lead Agency's resolution or other document approving the CEQA documents.

Not Applicable

- c. A list of section and page numbers for the environmental impacts, mitigation measures, and findings in the prior CEQA documents that relate to the approval sought from the Commission.

Not Applicable

- d. An explanation of any aspect of the project or its environmental setting which has changed since the issuance of the prior CEQA document.

Not Applicable

- e. A statement of whether the project will require approval by additional public agencies other than the Commission and the Lead Agency, and, if so, the name and address of each agency and the type of approval required.

Not Applicable

Protests

Anyone wishing to protest this filing may do so by sending a letter by June 25, 2013, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter. (General Order 96-B, Section 7.4.) The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

Pursuant to the review process outlined in General Order 173, PG&E requests that this Tier 2 advice filing become effective on July 5, 2013, which is 30 days from the date of filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and/or via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Brian Cherry / IG". The signature is written in a cursive, flowing style.

Vice President – Regulatory Relations

Attachments

***** **SERVICE LIST Advice 4237-E** *****
APPENDIX A

***** AGENCIES *****

Karen Clopton
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2008
kvc@cpuc.ca.gov

City of Lemoore, Public Works Dept.
David R. Wlaschin, Director
711 W. Cinnamon Drive
Lemoore, CA 93245
Telephone: (559) 924-6735
E-mail: dwlaschin@lemoore.com

Myra J. Prestidge
Administrative Law Judge Division
505 Van Ness Avenue
San Francisco, CA 94102
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tom@cpuc.ca.gov

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Brewster Fong
Division of Ratepayer Advocates
505 Van Ness Avenue
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San Francisco, CA 94102
(415) 703-3221
bca@cpuc.ca.gov

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

☒ ELC

☐ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4237-E**

Tier: **2**

Subject of AL: **Natural Selection Foods, LLC Sole Customer Facility Sale – Request for Approval Under Section 851**

Keywords (choose from CPUC listing): Compliance, Agreements

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: ☐ Yes ☐ No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? ☐ Yes ☒ No

Requested effective date: **July 5, 2013**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Attachment 1

Purchase and Sale Agreement

**PURCHASE AND SALE AGREEMENT
(Customer Specific Sales)**

By and Between

PACIFIC GAS AND ELECTRIC COMPANY

and

NATURAL SELECTION FOODS, LLC bda "EARTHBOUND FARM"

PURCHASE AND SALE AGREEMENT
(Customer Specific Sales)

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PURCHASE AND SALE AGREEMENT

DISTRIBUTION:

Original Svc Plng
Copy Division
Copy PG&E

REFERENCE:

ORDER NO.
AP NO.
D&C NO.

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made and entered into as of this ___ day of May, 2013, the ("**Effective Date**") by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **NATURAL SELECTION FOODS, LLC**, a Delaware limited liability corporation ("**Buyer**").

RECITALS:

A. PG&E currently owns the facilities (the "**Facilities**") described on **Exhibit A** attached hereto. The Facilities are located on the real property (the "**Land**") described on **Exhibit B** attached hereto, which real property is either owned by Buyer or Buyer has adequate land rights.

B. The Facilities are no longer necessary to PG&E in the performance of its duties to the public.

C. Buyer has expressed a desire to purchase the Facilities, and PG&E is willing to sell the Facilities to Buyer on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the respective covenants and agreements contained in this Agreement, PG&E and Buyer each agree as follows:

1. DEFINITIONS. The following terms shall have the meanings ascribed to them below for purposes of this Agreement:

1.1 Agreement. "**Agreement**" has the meaning given in the preamble paragraph.

1.2 Bill of Sale. "**Bill of Sale**" means a document transferring title to the Facilities to Buyer, which document shall be substantially in the form of **Exhibit C** attached hereto.

1.3 Business Day. "**Business Day**" means a day other than Saturday, Sunday or a day on which (i) banks are legally closed for business in the State of California; or (ii) PG&E is closed for business.

1.4 Buyer. "**Buyer**" has the meaning given in the preamble paragraph.

1.5 CEQA. "**CEQA**" has the meaning given in Section 5.2.

1.6 Claims. "**Claims**" has the meaning given in Section 7.1.

1.7 Closing. "**Closing**" has the meaning given in Section 6.1.

1.8 Closing Date. "**Closing Date**" means the date PG&E delivers the Bill of Sale to Buyer.

1.9 CPUC. "**CPUC**" means the California Public Utilities Commission, or its regulatory successor, as applicable.

1.10 CPUC Approval. "**CPUC Approval**" means final, unconditional approval (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought) of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale.

1.11 CPUC Approval Date. "**CPUC Approval Date**" means the date on which CPUC approval of this Agreement and the transactions contemplated hereby on terms and conditions acceptable to PG&E in its good faith discretion, including approval of PG&E's proposed accounting and ratemaking treatment of the sale, becomes final, unconditional and unappealable (including exhaustion of all administrative and judicial remedies or the running of time periods and statutes of limitation for rehearing and judicial review without rehearing or judicial review being sought).

1.12 Effective Date. "**Effective Date**" has the meaning given in the preamble paragraph.

1.13 Environmental Requirements. "**Environmental Requirements**" means any applicable statutes, regulations or ordinances now in force or that may later be in force relating to the protection of human health or safety, or regulating or relating to industrial hygiene or environmental conditions, or the protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, including laws, requirements and regulations pertaining to reporting, licensing, permitting, investigating and remediating emissions, discharges, releases or threatened releases of such substances into the air, surface water, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of such substances. Environmental Requirements include: the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.) ("**CERCLA**"); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.); the Clean Water Act (33 U.S.C. §§1251 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); the Oil Pollution Act (33 U.S.C. § 2701 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, (7 U.S.C. §§136 et seq.); the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.); the Porter-Cologne Water Quality Control Act (Cal. Wat. Code § 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.); the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health and Safety Code §§25300 et seq.); and the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.).

1.14 Excluded Taxes. "**Excluded Taxes**" means (a) Taxes (other than any sales, use, gross receipts, transfer or property Taxes, or any Taxes in the nature of sales, use, gross receipts, transfer or property Taxes) imposed on PG&E that are capital gains Taxes, minimum or alternative minimum Taxes, accumulated earnings Taxes, franchise Taxes or Taxes on or measured by gross or net income, capital or net worth of PG&E; and (b) property

Taxes to the extent the payment is addressed in Section 3.4(b), and is not required to be reimbursed to PG&E by Buyer.

1.15 Estimated Closing Date. "**Estimated Closing Date**" has the meaning given in Section 6.1.

1.16 Facilities. "**Facilities**" has the meaning given in Recital Paragraph A.

1.17 Governmental Authority. "**Governmental Authority**" means any federal, state, local or other governmental, regulatory or administrative agency, commission, department, board, subdivision, court, tribunal, or other governmental arbitrator, arbitral body or other authority.

1.18 Hazardous Substances. "**Hazardous Substances**" means any hazardous or toxic material or waste, which is or becomes regulated by Environmental Requirements. Without limiting the generality of the foregoing, Hazardous Substances include any material or substance: (a) now or hereafter defined as a "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste" or "toxic substance" or words of similar import under any applicable Environmental Requirements; or (b) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous, and is now or hereafter regulated as a Hazardous Substance by the United States, the State of California, any local governmental authority or any political subdivision thereof, or which cause, or are listed by the State of California as being known to the State of California to cause, cancer or reproductive toxicity; or (c) the presence of which poses or threatens to pose a hazard to the health or safety of persons or to the environment; or (d) which contains gasoline, diesel fuel or other petroleum hydrocarbons; or (e) which contains lead-based paint or other lead contamination, polychlorinated biphenyls ("**PCBs**") or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or (f) which contains radon gas; (g) fuel or chemical storage tanks, energized electrical conductors or equipment, or natural gas transmission or distribution pipelines; and (h) other potentially hazardous substances, materials, products or conditions.

1.19 Land. "**Land**" means the real property described on Exhibit B attached hereto.

1.20 Legal Requirements. "**Legal Requirements**" means all laws, statutes, ordinances, rules, regulations, requirements or orders of any Governmental Authority now in force or that may later be in force, and the conditions of any permit, certificate, license or other approval issued by public officers relating to the Facilities, including Environmental Requirements.

1.21 PG&E Parties. "**PG&E Parties**" means PG&E and/or each and all of its past, present and future officers, directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators, predecessors, transferees, successors and assigns.

1.22 Potential Environmental Hazards. "**Potential Environmental Hazards**" means electric fields, magnetic fields, electromagnetic fields, electromagnetic radiation, power frequency fields, and extremely low frequency fields, however designated, and whether emitted by electric transmission lines, other distribution equipment or otherwise.

1.23 Purchase Price. "**Purchase Price**" has the meaning given in Section 3.1.

1.24 Severance Costs. "**Severance Costs**" has the meaning given in Section 3.2.]

1.25 Tax Claim. "**Tax Claim**" has the meaning given in Section 3.3(e).

1.26 Taxes. "**Taxes**" mean all federal, state, local or foreign income, ad valorem, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property (including assessments, special assessments, special district assessments, escape assessments, benefit assessments and maintenance assessments, fees or other charges or surcharges of any nature based on the use or ownership of real property), personal property, sales, use, documentary transfer, registration, value added, alternative and add-on minimum, estimated taxes, and all other taxes of any kind whatsoever, including all interest, penalties, fines and additions thereto, whether disputed or not, including all items for which liability arises as a transferee or successor-in-interest.

2. PURCHASE AND SALE OF FACILITIES.

Subject to the terms and conditions of this Agreement, PG&E agrees to sell, convey, assign, transfer and deliver to Buyer, and Buyer agrees to purchase and acquire from PG&E, all of PG&E's right, title and interest in the Facilities.

3. PURCHASE PRICE AND OTHER COSTS.

3.1 Purchase Price. Subject to adjustment as provided in this Section 3.1, the purchase price ("**Purchase Price**") for the Facilities is three hundred thirty-five thousand five hundred and ninety-five Dollars (\$335,595). The Purchase Price is based upon the Facilities existing on the Effective Date. If any additions to or retirements from the Facilities are made after the Effective Date and prior to the Closing Date, the Purchase Price shall be adjusted upward or downward, as the case may be, in accordance with the Reproduction Cost New Less Depreciation method of valuing assets, using five percent (5%) present worth depreciation. PG&E shall provide Buyer with written notice of the adjusted Purchase Price no later than the ten (10) Business Days after the CPUC Approval Date. If the Purchase Price is adjusted upward by more than ten percent (10%), Buyer may terminate this Agreement without further liability by providing written notice to PG&E within ten (10) Business Days of Buyer's receipt of notice of the adjusted Purchase Price.

3.2 Severance Costs. In addition to the Purchase Price, Buyer shall pay to PG&E the sum of zero Dollars (\$0) to reimburse PG&E for the cost of physically separating the Facilities from the balance of PG&E's distribution facilities ("**Severance Costs**").

3.3 Taxes.

(a) Except for any Excluded Taxes for which Buyer will have no liability, Buyer shall pay all Taxes arising in connection with the sale and transfer of the Facilities (or any part thereof), this Agreement or the transactions contemplated herein, or the receipt of the Purchase Price or other amounts hereunder, regardless of whether levied or imposed on or

with respect to PG&E, Buyer or all or any part of the Facilities or any use thereof, and regardless of when such Taxes are levied or imposed. [Without limiting the generality of the foregoing, Buyer shall pay PG&E a charge to cover PG&E's estimated liability for federal and state income tax on the severance work, calculated at the tax factor approved by the CPUC for the Income Tax Component of Contributions, if applicable.]

(b) State and local personal property Taxes relating to the Facilities for the tax year (ending June 30) will be prorated between Buyer and PG&E on the following basis: PG&E is to be responsible for all such Taxes for the period up to the Closing Date; and Buyer is responsible for all such Taxes for the period on and after the Closing Date. All Taxes assessed on an annual basis will be prorated on the assumption that an equal amount of Taxes applies to each day of the year, regardless of how any installment payments are billed or made, except that Buyer will bear all supplemental or other state and local personal property Taxes which arise out of a change in ownership of the Facilities. In addition, Buyer acknowledges that the Facilities are assessed by the California State Board of Equalization as of January 1 of each year, and, if the Closing occurs between January 1 and June 30, PG&E must pay personal property taxes arising out of the ownership of the Facilities for the subsequent fiscal year. If the Closing occurs between January 1 and June 30, Buyer will deposit with PG&E the full amount to pay personal property taxes for the tax year beginning on July 1, in addition to the prorated amount of personal property taxes for the current tax year (ending June 30), and PG&E will pay the personal property taxes for these tax years before they become delinquent; provided however, that PG&E may pay such taxes in installments as permitted by law. If the personal property taxes for the tax year beginning on July 1 are not available as of the Closing, then the amount due from Buyer to PG&E for such tax year will be estimated on the basis of the prior year's personal property taxes and such amount will be subject to adjustment after the Closing. If the Closing occurs between July 1 and December 31, Buyer will deposit with PG&E the prorated amount of personal property taxes for the tax year in which the Closing occurs and PG&E will pay the personal property taxes for such tax year before they become delinquent; provided however, PG&E may pay such taxes in installments as permitted by law.

(c) PG&E will be entitled to any refunds or credits of Taxes relating to the Facilities that are allocable to the period prior to the Closing Date. Buyer will promptly notify and forward to PG&E the amounts of any such refunds or credits to PG&E within five (5) Business Days after receipt thereof. Buyer will be entitled to a refund of Taxes relating to the Facilities that are allocable to the period on and after the Closing Date. PG&E agrees to reasonably cooperate with Buyer's efforts to obtain such refund.

(d) After the Closing Date, Buyer will notify PG&E in writing, within five (5) Business Days after Buyer's receipt of any correspondence, notice or other communication from a taxing authority or any representative thereof, of any pending or threatened tax audit, or any pending or threatened judicial or administrative proceeding that involves Taxes relating to the Facilities for the period prior to the Closing Date, and furnish PG&E with copies of all correspondence received from any taxing authority in connection with any audit or information request with respect to any such Taxes relating to the Facilities for the period prior to the Closing Date.

(e) Notwithstanding any provision of this Agreement to the contrary, with respect to any claim for refund, audit, examination, notice of deficiency or assessment or any judicial or administrative proceeding that involves Taxes relating to the Facilities for the period either entirely prior to the Closing Date or both prior to and after the Closing Date (collectively, "**Tax Claim**"), the parties will reasonably cooperate with each other in contesting

any Tax Claim, including making available original books, records, documents and information for inspection, copying and, if necessary, introduction as evidence at any such Tax Claim contest and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder with respect to such Tax Claim or to testify at proceedings relating to such Tax Claim. PG&E will control all proceedings taken in connection with any Tax Claim that pertains entirely to the period prior to the Closing Date, and PG&E and Buyer will jointly control all proceedings taken in connection with any Tax Claim pertaining to the period both prior to and after the Closing Date. Buyer has no right to settle or otherwise compromise any Tax Claim which pertains entirely to the period prior to the Closing Date; and neither party has the right to settle or otherwise compromise any Tax Claim which pertains to the period both prior to and after the Closing Date without the other party's prior written consent.

(f) The obligations of the parties pursuant to this Section 3.3 shall survive the Closing.

4. CONDITIONS PRECEDENT.

4.1 Conditions to Buyer's Obligations. Buyer's obligation under this Agreement to purchase the Facilities is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) PG&E shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed or complied with by PG&E at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

4.2 Conditions to PG&E's Obligations. PG&E's obligation under this Agreement to sell the Facilities to Buyer is subject to the fulfillment or waiver of each of the following conditions precedent:

(a) Buyer shall have performed or complied in all material respects with all covenants, agreements and conditions contained in this Agreement to be performed by Buyer at or prior to the Closing.

(b) No suit, action or other proceeding shall be pending before any court or Governmental Authority which seeks to restrain or prohibit any of the transactions contemplated by this Agreement or to obtain material damages or other material relief in connection with this Agreement or the transactions contemplated hereby.

4.3 CPUC Approval. The obligation of each party to close the sale of the Facilities is conditioned upon obtaining CPUC Approval on or prior to the Closing Date. PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date to obtain CPUC Approval as set forth in Section 6.1. PG&E shall use good faith efforts to obtain CPUC Approval, and Buyer agrees to cooperate with PG&E's efforts to obtain CPUC Approval, including by promptly reviewing and signing the application for CPUC Approval. Buyer acknowledges and agrees that PG&E makes no representation or warranty with respect to the

likelihood of obtaining CPUC Approval, and Buyer hereby waives all Claims against PG&E that may arise as a result of the need for CPUC Approval or PG&E's failure to obtain CPUC Approval, unless PG&E did not make a good faith effort to obtain CPUC Approval. If CPUC Approval has not been obtained on or prior to the Estimated Closing Date, as the same may be extended, the provisions of Section 4.4 below shall apply. Nothing in this Section in any way imposes upon PG&E an obligation to accept any term or condition imposed by the CPUC as a condition of its approval which term or condition is not acceptable to PG&E in its sole discretion.

4.4 Satisfaction or Waiver of Conditions. Buyer may waive any of the conditions precedent set forth in Section 4.1, and PG&E may waive any of the conditions precedent set forth in Section 4.2. Neither party shall have the right to waive the condition precedent set forth in Section 4.3. Subject to the foregoing, in the event that any of the conditions precedent set forth in this Section 4 shall not be satisfied or waived on or before the Estimated Closing Date (as the same may be extended), then the party whose obligations are subject to such condition precedent shall have the right to terminate this Agreement upon written notice to the other party, and PG&E and Buyer shall thereupon each be released from all obligations under this Agreement, except those which expressly survive termination.

5. CONDITION OF FACILITIES.

5.1 Prior Inspection. Buyer acknowledges that prior to the execution of this Agreement, Buyer has had ample opportunity to inspect the Facilities and has inspected the Facilities to its satisfaction. Based on Buyer's independent investigation of the Facilities, Buyer has decided to execute this Agreement.

5.2 Compliance with Legal Requirements and Governmental Approvals. Except for (a) CPUC Approval; and (b) PG&E's obligations under Section 6.4; Buyer, at Buyer's sole expense, is responsible for complying with all Legal Requirements and obtaining all authorizations, consents, licenses, permits and approvals of Governmental Authorities and third persons required by applicable Legal Requirements or required by any such third persons in connection with the consummation of the transactions contemplated by this Agreement and with Buyer's operation of the Facilities, whether as a result of the PCB content or otherwise, including all consents to the assignment from PG&E to Buyer of the Facilities (or any portion thereof). Notwithstanding the foregoing, Buyer is responsible for complying with the California Environmental Quality Act ("**CEQA**") to the extent applicable, and satisfying, at Buyer's sole expense, any and all mitigation measures under CEQA that may apply to Buyer's acquisition or operation of the Facilities. Buyer shall promptly notify PG&E of any and all mitigation measures that may affect PG&E. If PG&E determines in good faith that any such mitigation measures may adversely affect PG&E, PG&E shall have the right, without liability to Buyer, to terminate this Agreement upon written notice to Buyer. In the event of such termination, PG&E and Buyer shall each be released from all obligations under this Agreement, except those that expressly survive termination. Buyer's obligations under this Section 5.2 shall survive the termination of this Agreement or the Closing.

5.3 Disclosure Regarding Hazardous Substances. PG&E hereby discloses to Buyer that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Buyer represents that it is purchasing the Facilities for Buyer's own use, and not for resale. Buyer will continue to use the Facilities substantially in the manner in which they are currently being used for distribution purposes. If Buyer sells the Facilities or the Land, or any part thereof, it shall disclose, in writing, to all potential buyers, prior to the sale,

that Potential Environmental Hazards and Hazardous Substances, including PCBs, may be present at, in, on, under, about, contained in, or incorporated in the Facilities or the Land, or portions thereof. Further, in the event the Facilities or the Land (or any portion thereof) are sold, conveyed or transferred in any manner to a person other than PG&E, Buyer shall incorporate in the agreement effectuating such transfer, language substantially in the same form as this paragraph. Buyer's obligations under this Section 5.3 shall survive the Closing.

5.4 Disclaimers Regarding the Facilities. BUYER ACKNOWLEDGES THAT IT IS RELYING UPON ITS OWN INDEPENDENT INVESTIGATION IN DECIDING TO PURCHASE THE FACILITIES. BUYER EXPRESSLY DISCLAIMS RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES, EITHER EXPRESS OR IMPLIED, BY PG&E, ITS OFFICERS, DIRECTORS, COUNSEL, REPRESENTATIVES OR AGENTS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE FACILITIES, THE PROSPECTS (FINANCIAL AND OTHERWISE) OF THE FACILITIES, THE QUALITY OF WORKMANSHIP OF THE FACILITIES, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. PG&E FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING POTENTIAL ENVIRONMENTAL HAZARDS, THE PRESENCE OF HAZARDOUS SUBSTANCES, COMPLIANCE OF THE FACILITIES WITH ENVIRONMENTAL REQUIREMENTS, OR LIABILITY OR POTENTIAL LIABILITY ARISING UNDER ENVIRONMENTAL REQUIREMENTS. NO SCHEDULE OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY PG&E, WILL CAUSE OR CREATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED.

5.5 "AS IS" SALE. THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E, EXCEPT AS SET FORTH IN THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

5.6 Maintenance of Facilities Pending Closing. From the Effective Date through the Closing Date, PG&E will, at its expense, operate and maintain the Facilities in a manner consistent with PG&E practices.

6. CLOSING.

6.1 Closing Date. The parties estimate that the closing of this transaction (the "Closing") will take place on **[Insert estimated CPUC Approval Date plus six (6) months]** (the "**Estimated Closing Date**"); provided, however, that if the CPUC Approval Date has not occurred prior to the Estimated Closing Date, PG&E shall have the right (but not the obligation) to extend the Estimated Closing Date for up to an additional one (1) year to obtain CPUC Approval, in which case the Closing Date shall occur on the date specified by PG&E, which date shall be no later than one hundred eighty (180) days following the CPUC Approval Date. If PG&E fails to obtain CPUC Approval prior to the Estimated Closing Date (as the same may be extended), this Agreement shall automatically terminate and except for agreements that

expressly survive the termination of this Agreement, all obligations and liabilities of the parties under this Agreement shall terminate. If the conditions set forth in Section 4 have been satisfied (or waived by the party for whose benefit such condition precedent exists) prior to the Estimated Closing Date, the parties may mutually agree to accelerate the Closing Date. In addition, the parties may mutually agree to extend the Closing Date to take into account the scheduling of the final reading of electrical meters, weather conditions that may delay severance work, and other similar matters. The parties shall reasonably cooperate in modifying the Closing Date to accommodate the requirements of the other party, provided that in the event of any emergency situation or for other good cause, PG&E may unilaterally delay the Closing Date for a maximum of forty-five (45) days by written notice to Buyer. Upon request by PG&E, Buyer shall acknowledge the Closing Date in writing; provided, however, that Buyer's failure to execute such acknowledgement shall not affect the Closing Date.

6.2 Delivery of Funds and Documents. The parties shall take the following actions on the respective dates specified below:

(a) Within ten (10) Business Days after written request, Buyer shall pay to PG&E in U.S. dollars the Purchase Price [, the Severance Costs,] and the Taxes (to the extent the amount owing by Buyer to PG&E is determined as of the date of the request), provided that PG&E shall not request such payment until approximately thirty (30) Business Days prior to the Closing Date.

(b) On the Closing Date, PG&E shall deliver to Buyer an original Bill of Sale duly executed by PG&E. The parties agree that delivery of the Bill of Sale shall be effective upon the earlier of (i) delivery to Buyer by hand of an original Bill of Sale; or (ii) Buyer's receipt of a facsimile transmission of the Bill of Sale as evidenced by electronic confirmation of receipt. If delivery is made by facsimile transmission, PG&E shall concurrently send the original document(s) to Buyer by registered or certified mail or overnight courier.

(c) [On the Closing Date, PG&E shall sever the Facilities from the balance of PG&E's distribution system. Buyer hereby acknowledges receipt of the severance engineering drawings, a copy of which is attached hereto as Exhibit D.]

6.3 Assumption of Liabilities. Upon the Closing Date, Buyer will assume all obligations and liabilities of any kind or nature whatsoever related to, arising from, or associated with ownership or possession of the Facilities.

6.4 Warranty of Title. PG&E warrants that upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances.

6.5 Survival. The covenants, agreements, and obligations of PG&E and Buyer contained in Section 6.3 and Section 6.4 shall survive the Closing.

7. RELEASE.

7.1 Release. Buyer, for itself, and for any future owners or holders of all or a part of the Facilities and/or the Land, and each of their respective predecessors, successors, assigns, licensees, officers, directors, employees, agents, partners, shareholders, transferees, parent and subsidiary corporations, legal representatives, heirs, beneficiaries, executors and administrators hereby fully and forever releases, exonerates, discharges and covenants not to

sue PG&E Parties of, from and for any and all losses (including diminution in the value of the Land and other consequential damages), costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages, judgments and liabilities of whatever kind or nature (including fines and civil penalties), and by whomsoever asserted, in law, equity or otherwise, whether known or unknown, (each a "**Claim**" and, collectively, "**Claims**") arising from or in any way connected with the Facilities, including Claims relating to PG&E's maintenance of the Facilities prior to the Closing, Claims relating to Potential Environmental Hazards, and Claims relating to the presence of PCBs or any other Hazardous Substances in the Facilities and/or in, on or about the Land.

7.2 Statutory Waiver. Buyer acknowledges that it may hereinafter discover facts different from or in addition to those, which it now knows or believes to be true with respect to the matters that are the subject of this Agreement, and agrees that this Agreement shall remain in effect in all respects, notwithstanding the discovery of such different or additional facts. In addition, Buyer understands and agrees that its agreements and covenants contained in this Agreement extend to all Claims of any nature and kind, known or unknown, suspected or unsuspected, based in whole or in part on facts existing in the past or as of the date hereof, and in that regard, Buyer acknowledges that it has read, considered and understands the provisions of Section 1542 of the California Civil Code which reads as follows:

Section 1542. General Release

A general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Based upon the advice of its counsel, Buyer knowingly and voluntarily waives and relinquishes any and all rights that it may have under Section 1542 as well as under the provisions of all comparable, equivalent, or similar statutes and principles of common law or other decisional law of any and all states of the United States or of the United States. Buyer understands and acknowledges the significance and consequences of this waiver and hereby assumes the risk of any injuries, losses or damages which may arise from such waiver.

7.3 Survival. The releases, covenants, agreements, and obligations of Buyer contained in Section 7.1 and Section 7.2 shall survive the termination of this Agreement or the Closing.

8. INDEMNITY. Buyer agrees and covenants, at its sole cost and expense, to indemnify, protect, defend and hold the PG&E Parties harmless, to the fullest extent permitted by law, from and against any and all Claims (including the payment of damages, both actual and consequential, the payment of penalties and fines, the payment of the actual fees and expenses of experts, attorneys and others, and the payment of the cost of environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work and other "response costs" under CERCLA or any other Environmental Requirements) arising from or in any way connected with: (a) any inspection of the Facilities, or activities conducted in connection therewith by Buyer, its employees, agents, or contractors prior to the Closing, including Claims arising from the passive or active negligence of PG&E Parties; or (b) the ownership, possession, use or operation of the Facilities from and after the Closing; or (c) Potential Environmental Hazards relating to the Facilities or (d) the presence, disposal, dumping, escape, seepage, leakage, spillage, discharge, emission, pumping, emptying,

injecting, leaching, pouring, release or threatened release of PCBs or any other Hazardous Substances which occur on or after the Closing Date in connection with the Facilities; or (e) violation of any Legal Requirements which occur on or after the Closing Date. Notwithstanding anything to the contrary in this Section 8, Buyer shall not be required to indemnify, protect, defend or hold PG&E Parties harmless from or against any Claims that are brought by current or former employees of PG&E, their heirs, beneficiaries, executors or administrators, and which relate to such employees' activities in connection with the Facilities within the scope of their employment by PG&E. If any action or proceeding is brought against any one or more PG&E Parties for any Claim against which Buyer is obligated to indemnify or provide a defense hereunder, Buyer, upon written notice from PG&E, shall defend such action or proceeding at Buyer's sole expense by counsel approved by PG&E, which approval shall not be unreasonably withheld, conditioned or delayed. Buyer's obligation to defend the PG&E Parties includes the obligation to defend claims and participate in administrative proceedings, even if they are false or fraudulent. The covenants, agreements and obligations of Buyer contained in this Section 8 shall survive the termination of this Agreement or the Closing.

9. MISCELLANEOUS.

9.1 Time of Essence. Time is of the essence of this Agreement and each and every provision hereof.

9.2 Further Assurances. Each party hereto agrees to execute and deliver to the other party such further documents or instruments as may be necessary or appropriate in order to carry out the intentions of the parties as contained in this Agreement.

9.3 Binding Effect; Assignment. This Agreement shall be binding upon, and shall inure to the benefit of, the heirs, successors and assigns of the parties hereto.

9.4 Severability. If any provision of this Agreement shall be unenforceable or invalid, the same shall not affect the remaining provisions of this Agreement and the provisions of this Agreement are intended to be and shall be severable; provided, however, if such unenforceability or invalidity alters the substance of this Agreement (taken as a whole) so as to deny either party, in a material way, the realization of the intended benefit of its bargain, such party may terminate this Agreement by notice to the other within thirty (30) Business Days after the final determination. If such party so elects to terminate this Agreement, PG&E and Buyer shall thereupon each be released from any obligations under this Agreement, except those that expressly survive termination.

9.5 Governing Laws. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

9.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.7 Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be either personally delivered or transmitted by registered or certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight courier, such as FedEx or Airborne Express, addressed to the parties as follows:

If to PG&E: Regulatory Relations Department
Pacific Gas and Electric Company
P.O. Box 770000, Mail Code N10A
San Francisco, CA 94177

With a copy to:

Law Department
Pacific Gas and Electric Company
P.O. Box 7442, Mail Code B30A
San Francisco, CA 94120

If to Buyer: Natural Selection Foods, LLC
dba "Earthbound Farm"
Jeffery R. Cook, Chief Financial Officer
1721 San Juan Highway
San Juan Bautista, CA 95045

The date of any notice or communication shall be deemed to be the date of receipt if delivered personally, or the date of the receipt or refusal of delivery if transmitted by mail or overnight courier. Any party may change its address for notice by giving notice to the other party in accordance with this Section 9.7.

9.8 Attorneys' Fees. In the event that either party shall bring an action to enforce its rights under this Agreement, the prevailing party in any such proceeding shall be entitled to recover its reasonable attorneys' fees, costs and expenses (including accountants', consultants' or other professionals' fees, investigation expenses and any and all other out-of-pocket expenses), including in connection with any appeal thereof. Any such attorneys' fees and expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment. For purposes hereof, the reasonable fees of in-house attorneys who perform services in connection with any such enforcement action are recoverable. The covenants of PG&E and Buyer contained in this Section 9.8 shall survive the termination of this Agreement or the Closing.

9.9 Limitation on Liability. Buyer expressly agrees that the obligations and liabilities of PG&E under this Agreement and any document referenced herein shall not constitute personal obligations of the officers, directors, employees, agents, affiliates, members, representatives, stockholders or other principals or representatives of PG&E. The limitations contained in this Section 9.9 shall survive the termination of this Agreement or the Closing.

9.10 Statute of Limitations. Any action by Buyer arising out of or in any way connected with the sale contemplated by this Agreement, whether sounding in tort, contract, strict liability or otherwise, must be commenced within two (2) years after the cause of action therefor has accrued.

9.11 Exhibits. The following Exhibits are attached hereto and incorporated by reference into this Agreement:

Exhibit A	Description of the Facilities
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Exhibit B	Description of the Land
Exhibit C	Form of Bill of Sale
Exhibit D	Engineering Drawings

9.12 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by binding arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction. All arbitration proceedings shall be conducted in San Francisco, California. Each party in any proceeding shall bear its own costs. The substantive law applied in the arbitration shall be the laws of the State of California without regard to its conflict of law principles, unless the claims or defenses raise issues of federal law in which case federal substantive law shall apply to those particular claims or defenses. The arbitrator shall be bound to apply the substantive law, and shall also be empowered to hear and determine dispositive motions, including motions to dismiss and motions for summary judgment. The arbitrator shall not be authorized to award any damages not permitted under Section 9.12.

9.13 Interpretation. The language in all parts of this Agreement shall be construed according to its normal and usual meaning and not strictly for or against either PG&E or Buyer. The headings of the paragraphs of this Agreement are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction of any terms or provisions hereof. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation."

9.14 Survival. The attorneys' fees provision, the limitation on liability, the waivers of the right of jury trial, the other waivers of claims or rights, the releases and the obligations of Buyer under this Agreement to indemnify, protect, defend and hold harmless PG&E Parties shall survive the termination of this Agreement or the Closing, and so shall all other obligations or agreements of PG&E or Buyer which by their terms survive the termination of this Agreement or the Closing or which by their nature arise or occur following the termination of this Agreement or the Closing.

9.15 Authority. Each party represents and warrants that the execution, delivery and performance of this Agreement has been duly authorized by such party and each person signing this Agreement on its behalf is duly and validly authorized to do so.

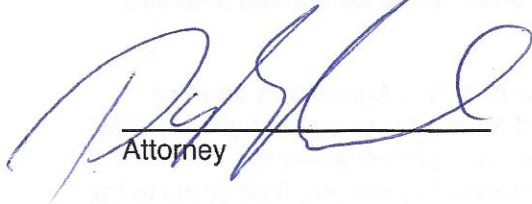
9.16 Prior Agreements. This Agreement and the exhibits hereto contain the entire understanding of the parties relating to the subject matter hereto and shall supersede any prior written or oral agreements or communications between the parties pertaining to such subject matter.

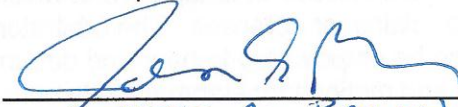
IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

PG&E:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

APPROVED AS TO FORM:


Attorney

By: 
Name: JESS A. BROWN
Its: Director

Date: 6/3/13

BUYER:

NATURAL SELECTION FOODS, LLC
dba "EARTHBOUND FARM",
a Delaware limited liability corporation

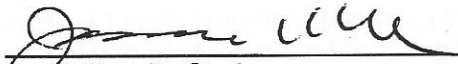
By: 
Name: Jeffrey R. Cook
Its: Chief Financial Officer
Date: 5/13/13

EXHIBIT A

DESCRIPTION OF THE FACILITIES

The underground 21kV primary from the new PG&E San Benito Substation to Location 5 (see Exhibit D), terminating with a new customer riser and primary metering was installed under PG&E PM# 30932504. The removal of 1 transformer, clearance pole, overhead service and meter 92581R at location 7 along with the primary riser assemblies and meter assemblies at Locations 2, 3, 4 and 6 were performed under the same PM. Hence, the reason for no severance costs in this Agreement. Under this Agreement, PG&E is to sell to Buyer the underground bus-duct services, transformers, riser cables and secondary connections at Locations 2, 3, 4, 5 and 6 consisting of the following:

<u>Accnt</u>	<u>Description</u>	<u>Qty</u>	<u>Year Installed</u>
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	1990
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	1996
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	2004
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	2010
207	SPLICE CABLE STRAIGHT 22KV 200A #2 & 1/0 AL/CU (30-0487)	3	2004
207	CABLE 1/0 AL 25KV EPR-CONC-ENCAP PE 3/C PER REEL (29-0047)	837 ft	2010
222	T-0458, TRANSFORMER PM 2E 1.5MVA, 12/21-277/480 IIE MS(26-1415)	1	1996
222	T-0680, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2000
222	T-1060, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2004
222	T-25011, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2010
211	BOX TERMINATION BUS DUCT (01-9645)	1	1990
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	1990
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	1990
211	BOX TERMINATION BUS DUCT (01-9645)	1	1996
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3	1996
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	1996
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	1996
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 65 AMP (33-0006)	3	1996
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	1996
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 125 AMP (33-0008)	3	2000
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3	2000
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	2000
211	BOX TERMINATION BUS DUCT (01-9645)	1	2004
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3	2004
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	2004
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	2004
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 125 AMP (33-0008)	3	2004
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	2004
211	BOX TERMINATION BUS DUCT (01-9645)	1	2010

<u>Accnt</u>	<u>Description</u>	<u>Qty</u>		<u>Year Installed</u>
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3		2010
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3		2010
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	3		2010
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 125 AMP (33-0008)	250	ft	2010
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	3		2010
211	SUPPORT KIT CABLE BLOCK KIT 3 2O"ROD	1		2010
		1		2010

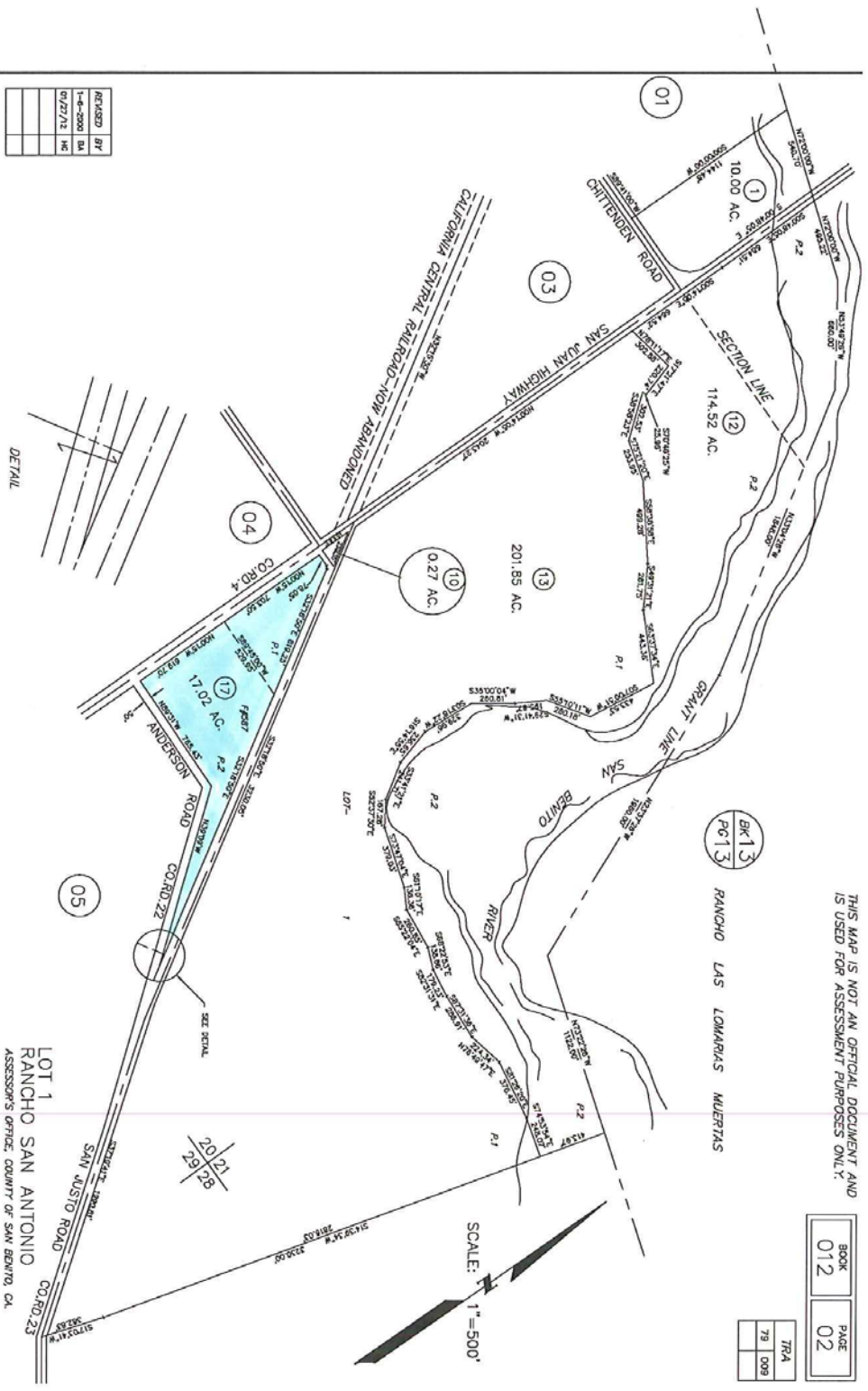
EXHIBIT B

DESCRIPTION OF THE LAND

(APN 012-020-017 and 012-050-017)
County of San Benito

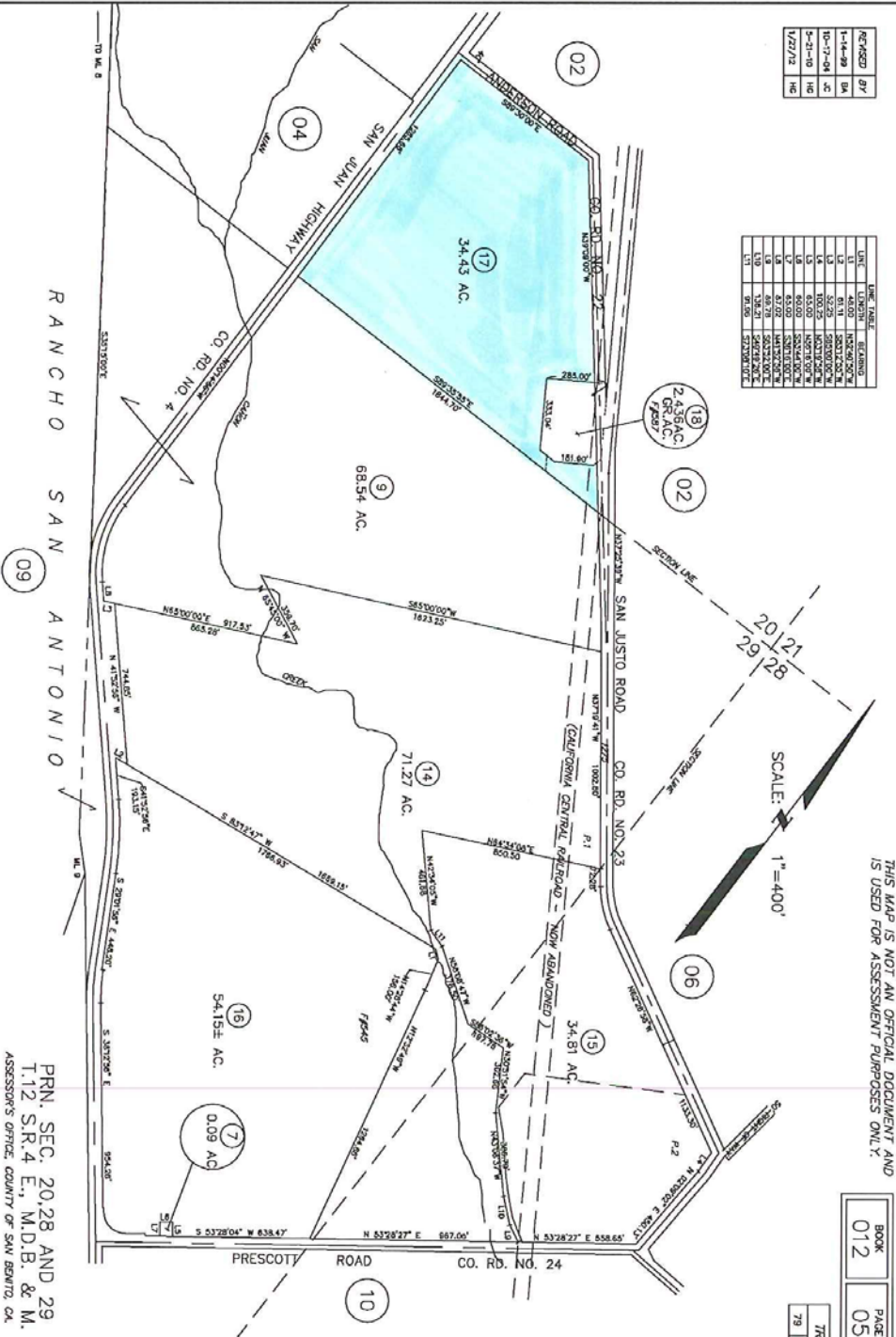
- I. PARCELS 1 and 2, as said parcels are shown upon the Parcel Map filed for record in Book 6 of Parcel Maps at page 73, San Benito County Records.
- II. The parcel of land described and designated PARCEL THREE in the deed from Andrew D. Goodman, trustee and others to Natural Selection Foods, LLC, dated September 28, 1999 and recorded September 30, 1999 as Document No. 9916208, San Benito County Records; excepting therefrom the parcel of land described in Exhibit A in the deed from Natural Selection Foods, LLC, to Pacific Gas and Electric Company, recorded on July 12, 2011 as Document No. 2011-0006229, San Benito County Records.

REMOVED BY	
1-4-2000 BA	
07/27/12 HC	



REVISED BY	DATE
1-14-99	BA
10-17-04	JC
5-21-10	HE
1/27/12	HE

LINE	INCHES	FEET
1	1/8"	1.5000
2	1/4"	3.0000
3	3/8"	4.5000
4	1/2"	6.0000
5	5/8"	7.5000
6	3/4"	9.0000
7	7/8"	10.5000
8	1"	12.0000
9	1 1/8"	13.5000
10	1 1/4"	15.0000
11	1 3/8"	16.5000
12	1 1/2"	18.0000
13	1 5/8"	19.5000
14	1 3/4"	21.0000
15	1 7/8"	22.5000
16	2"	24.0000
17	2 1/8"	25.5000
18	2 1/4"	27.0000
19	2 3/8"	28.5000
20	2 1/2"	30.0000
21	2 5/8"	31.5000
22	2 3/4"	33.0000
23	2 7/8"	34.5000
24	3"	36.0000
25	3 1/8"	37.5000
26	3 1/4"	39.0000
27	3 3/8"	40.5000
28	3 1/2"	42.0000
29	3 5/8"	43.5000
30	3 3/4"	45.0000
31	3 7/8"	46.5000
32	4"	48.0000
33	4 1/8"	49.5000
34	4 1/4"	51.0000
35	4 3/8"	52.5000
36	4 1/2"	54.0000
37	4 5/8"	55.5000
38	4 3/4"	57.0000
39	4 7/8"	58.5000
40	5"	60.0000



BILL OF SALE

DISTRIBUTION

Original Buyer
Copy Division
Copy Svc. Plng.

REFERENCE

ORDER NO.
AP NO.
SAP BD NO.
Wire Transfer No.

BILL OF SALE

Pursuant to that certain Purchase and Sale Agreement dated _____, 2013 (the "**Purchase Agreement**"), by and between **PACIFIC GAS AND ELECTRIC COMPANY**, a California corporation ("**PG&E**"), and **NATURAL SELECTION FOODS, LLC dba "EARTHBOUND FARM"**, a Delaware limited liability corporation, ("**Buyer**"), effective on the Closing Date (as defined in the Purchase Agreement), PG&E hereby sells, assigns, transfers, and delivers to Buyer all of PG&E's right, title and interest in and to the property described on **Exhibit A** to the Purchase Agreement, in the locations described in **Exhibit D** within the site described in **Exhibit B** attached to the Purchase Agreement, and incorporated herein by this reference (collectively, the "**Facilities**").

As stated in Section 5.5 of the Purchase Agreement: THE FACILITIES ARE BEING TRANSFERRED "AS IS, WHERE IS, AND WITH ALL FAULTS" IN THEIR EXISTING CONDITION ON THE CLOSING DATE, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY PG&E, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST PG&E. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, PG&E EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

Notwithstanding the above paragraph, PG&E warrants that, upon CPUC Approval and execution and delivery of the Bill of Sale, Buyer shall have good title to the Facilities, free and clear of all liens and encumbrances.

This Bill of Sale is executed pursuant to authorization contained in _____, dated _____, 2013, and is subject to all the terms and conditions of the Purchase Agreement.

IN WITNESS WHEREOF, PG&E has executed this Bill of Sale as of the date set forth below.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

Dated: _____, 2013

By: _____
Name: _____
Its: _____

EXHIBIT A TO BILL OF SALE

DESCRIPTION OF THE FACILITIES

<u>Accnt</u>	<u>Description</u>	<u>Qty</u>	<u>Year Installed</u>
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	1990
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	1996
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	2004
207	TERMINAL CBL-FLT BAR #100, COMP. CONN STACK LUG, 1000 CU/AL (30-3840)	74	2010
207	SPLICE CABLE STRAIGHT 22KV 200A #2 & 1//0 AL/CU (30-0487)	3	2004
207	CABLE 1/0 AL 25KV EPR-CONC-ENCAP PE 3/C PER REEL (29-0047)	837 ft	2010
222	T-0458, TRANSFORMER PM 2E 1.5MVA, 12/21-277/480 IIE MS(26-1415)	1	1996
222	T-0680, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2000
222	T-1060, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2004
222	T-25011, TRANSFORMER PM 2E 2.5MVA, 12/21-277/480 IIE MS (26-1416)	1	2010
211	BOX TERMINATION BUS DUCT (01-9645)	1	1990
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	1990
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	1990
211	BOX TERMINATION BUS DUCT (01-9645)	1	1996
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3	1996
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	1996
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	1996
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 65 AMP (33-0006)	3	1996
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	1996
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 125 AMP (33-0008)	3	2000
211	BUSHING INSERT LOAD-BREAK, 200A (30-0481)	3	2000
211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	2000
211	BOX TERMINATION BUS DUCT (01-9645)	1	2004
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211	BUSHING WELL 200A 25KV PLUG INSUL (30-0486)	3	2010
211	CABLE POWER 600V 1000 KCM CU 1/C (29-4490)	250 ft	2010
211	FUSE LINK & CARTRIDGE ASSY EXPULSION 125 AMP (33-0008)	3	2010

<u>Accnt</u>	<u>Description</u>	<u>Qty</u>	<u>Year Installed</u>
211	SUPPORT KIT CABLE SECONDARY PM TX (01-9644)	1	2010
211	SUPPORT KIT CABLE BLOCK KIT 3 20"ROD	1	201

EXHIBIT D

ENGINEERING DRAWINGS

30948565= REMOVAL OF FACILITIES / SALE

REMOVE METER ASSEMBLIES BY POLE, LEAVE ONLY THE CUSTOMER'S METER ON THE NEW BIR POLE

ADD 3 NEW CONNECTIONS TO NEW BIR

SAN JUSTO RD

SAN JUAN HWY

SALE OF FACILITIES

POLE TO CUST-OWNED BUSSES SACS @ LOCATIONS:

- 2 2500 KVA T-0680 11E BUSSES SACS
- 3 2500 KVA T-1060
- 4 1500 KVA T-0458
- 6 2500 KVA T-25011

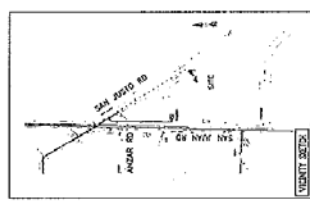
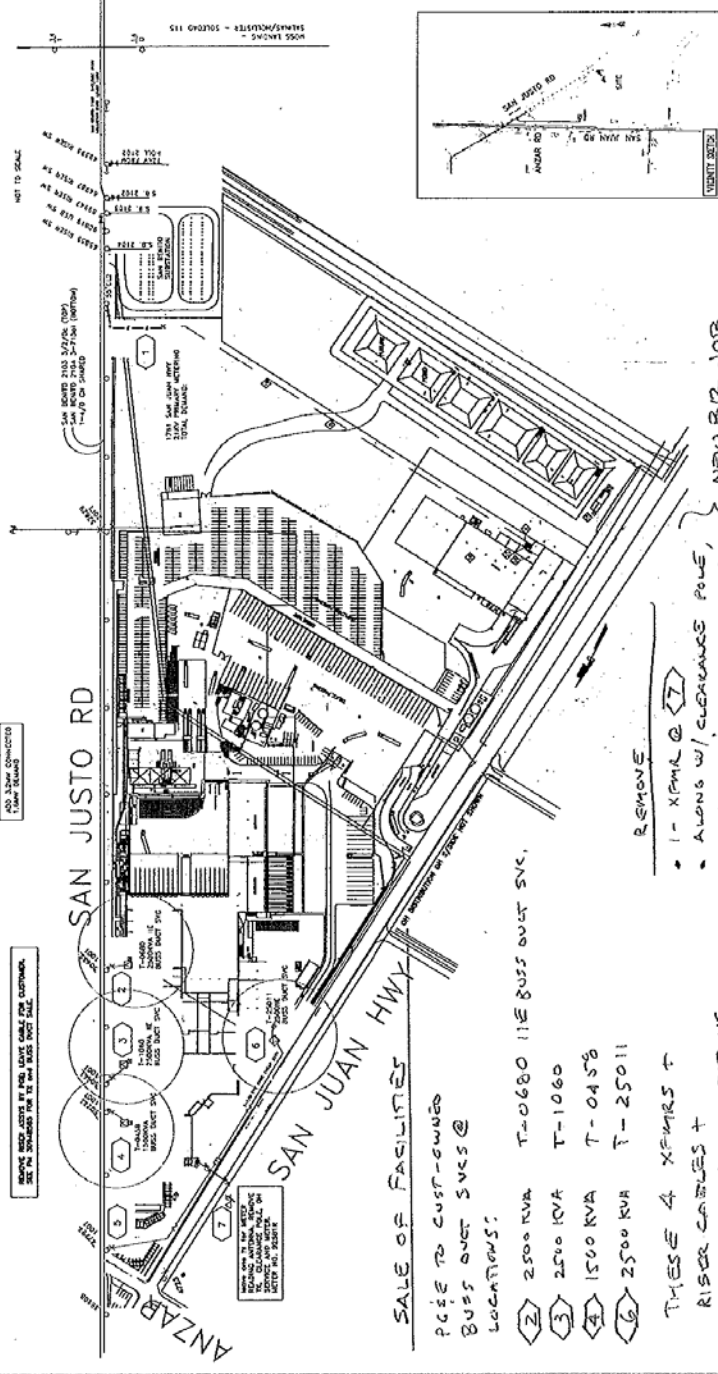
THESE 4 XEMERS + RISER CABLES + SECONDARY CONNECTIONS-

INSTALL

- UG. PRIMARY 21 KV FROM SAN BENITO SUB - NEW BIR JOB.
- INSTALL PRIMARY METERING @ LOC. 5 @ NEW BIR - ALSO ON NEW BIR JOB.

- REMOVE
- 1- XEMER @ 7
- ALONG W/ CLEARANCE POLE, NEW BIR JOB.
- OH SVC @ MTR NO. 9-2581R
- REMOVE PRIMARY RISER ASSEMBLIES
- 6 METER ASSEMBLIES @ LOCATIONS 2, 3, 4 & 6, ON NEW BIR JOB.

JOB PROPOSES TO INSTALL UNDERGROUND PRIMARY SERVICE FROM NEW SUBSTATION (SAN BENITO SUB) VIA EXISTING POLE. FOUR EXISTING BUSES DUCT SERVICES TO BE CONVERTED TO CUSTOMER-OWNED/PRIVATE SERVICES. BUSES TO BE REMOVED. SALE WILL INCLUDE RISER CABLES, TX AND SECONDARY CONNECTIONS. THIS PM WILL REMOVE FOUR PRIMARY RISER ASSEMBLIES AND APPLICANT TRENCH FROM NEW POLE TO APPLICANT SWITCHGEAR. POE TO REMOVE METERS AND CTS IN EXISTING SERVICE PANELS.



C-12-12
 21KV
 SSD 3645
 100' MIN. CLEARANCE
 100' MIN. CLEARANCE
 100' MIN. CLEARANCE
 100' MIN. CLEARANCE

EARTHBOUND FARMS
 PRIMARY SERVICE AND
 REMOVAL OF EXISTING SERVICES
 1721 SAN JUAN HWY, SJOB

SCALE: AS NOTED
 DATE: 7-13-2012
 PLS: JMC
 REP: JSE
 SUP: JMC
 ADE: JMC
 EST: JMC

ENGINEERING AND PLANNING DEPT.
 401 WORK STREET
 SALINAS, CA
 PHONE #: 831-784-3614
 FAX #: 831-784-3634
 PACIFIC GAS AND ELECTRIC COMPANY

CO: JMC
 SB: JMC
 KOF: JMC
 SHEETS: 1/1
 REV: 0
 30948565

Attachment 2

Sale Price, Expenses and Tax Effects

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DISTRIBUTION ASSET sale
to Earthbound Farms
(DOLLARS)

1 SALES PROCEEDS

Sales Price	335,595
Less: Transaction Costs	0
Net Sale Proceeds	<u>335,595</u>

2 ALLOCATION OF SALES PROCEEDS BASED ON THE HISTORICAL COST OF PROPERTY

	Historical Cost	Proportional %	Valuation Method
Non-Depreciable Property (Land)	0	0.00%	Appraisal
Depreciable Property	213,499	100.00%	Mar-13
	<u>213,499</u>	<u>100.00%</u>	

3 GROSS GAIN/(LOSS) ON SALE

	Historical Cost	Net Book Value	Sales Proceeds	Pre-Tax Gain/(Loss)
Non-Depreciable Property (Land)	0	0	0	0
Depreciable Property	213,499	156,497	335,595	179,098
	<u>213,499</u>	<u>156,497</u>	<u>335,595</u>	<u>179,098</u>

4 TAXES ON PROPERTY

	Net Tax Value	Sales Proceeds	Before Tax Gain/ (Loss)	Tax 40.746%
Non-Depreciable Property (Land)	0	0	0	0
Depreciable Property	84,068	335,595	251,527	102,487
	<u>84,068</u>	<u>335,595</u>	<u>251,527</u>	
Less Accumulated Deferred Taxes				16,860
Total Cumulative Tax Liability				<u>85,628</u>
				After-Tax Gain/(Loss)
Pre-Tax Gain/Loss Non-Depreciable Property (Land)				<u>0</u>

Pre-Tax Gain/Loss Depreciable Property			179,098
Less Tax Liability (net of deferred taxes)			85,628
After-Tax Gain			93,470

5 RATE BASE CHANGES

Reduction to Gross Plant	(213,499)	
Reduction to Depreciation Reserve (depreciation reserve is reduced by the historical cost of depreciable property)	213,499	
Property Sale Proceeds credited to Depreciation Reserve (sales proceeds benefit to customers)	335,595	
Reduction to Rate Base	335,595	

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

1st Light Energy	Downey & Brand	OnGrid Solar
AT&T	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
Alcantar & Kahl LLP	G. A. Krause & Assoc.	Praxair
Anderson & Poole	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy, Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
Bartle Wells Associates	Green Power Institute	SDG&E and SoCalGas
Bear Valley Electric Service	Hanna & Morton	SPURR
Braun Blasing McLaughlin, P.C.	In House Energy	San Francisco Public Utilities Commission
CENERGY POWER	International Power Technology	Seattle City Light
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Sempra Utilities
California Energy Commission	Kelly Group	SoCalGas
California Public Utilities Commission	Linde	Southern California Edison Company
Calpine	Los Angeles Dept of Water & Power	Spark Energy
Casner, Steve	MAC Lighting Consulting	Sun Light & Power
Center for Biological Diversity	MRW & Associates	Sunshine Design
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of San Jose	Marin Energy Authority	Tiger Natural Gas, Inc.
Clean Power	McKenna Long & Aldridge LLP	TransCanada
Coast Economic Consulting	McKenzie & Associates	Utility Cost Management
Commercial Energy	Modesto Irrigation District	Utility Power Solutions
Crossborder Energy	Morgan Stanley	Utility Specialists
Davis Wright Tremaine LLP	NLine Energy, Inc.	Verizon
Day Carter Murphy	NRG Solar	Water and Energy Consulting
Defense Energy Support Center	Nexant, Inc.	Wellhead Electric Company
Dept of General Services	North America Power Partners	Western Manufactured Housing Communities Association (WMA)
Douglass & Liddell	Occidental Energy Marketing, Inc.	